



General Assembly

February Session, 2012

Raised Bill No. 5529

LCO No. 2438

02438_____CE_

Referred to Committee on Commerce

Introduced by:
(CE)

***AN ACT CONCERNING PUBLIC EMPLOYEE'S PENSIONS
SOLVENCY.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2012*) (a) There is hereby
2 established and created a body politic and corporate, constituting a
3 public instrumentality and political subdivision of the state of
4 Connecticut established and created for the performance of an
5 essential public and governmental function, to be known as the Public
6 Employee Benefit Solvency Authority. The authority shall not be
7 construed to be a department, institution or agency of the state.

8 (b) The powers of the authority shall be vested in and exercised by a
9 board of directors, which shall consist of thirteen members. Six
10 members shall be appointed by the Governor, at least four of whom
11 shall be knowledgeable, and have favorable reputations for skill,
12 knowledge and experience, in the insurance industry or public
13 employee pension plans. Three members shall be the Comptroller, the
14 Treasurer and the Commissioner of Administrative Services, who shall
15 serve ex officio and shall have all of the powers and privileges of a
16 member of the board of directors. Each ex-officio member may

17 designate his or her deputy or any member of his or her staff to
18 represent him or her at meetings of the corporation with full power to
19 act and vote on his or her behalf. Four members shall be appointed as
20 follows: One by the president pro tempore of the Senate, one by the
21 minority leader of the Senate, one by the speaker of the House of
22 Representatives and one by the minority leader of the House of
23 Representatives. Each member appointed by the Governor shall serve
24 at the pleasure of the Governor but not longer than the term of office of
25 the Governor or until the member's successor is appointed and
26 qualified, whichever is longer. Each member appointed by a member
27 of the General Assembly shall serve in accordance with the provisions
28 of section 4-1a of the general statutes. A director shall be eligible for
29 reappointment. The Governor shall fill any vacancy for the unexpired
30 term of a member appointed by the Governor. The appropriate
31 legislative appointing authority shall fill any vacancy for the unexpired
32 term of a member appointed by such authority. The chairperson of the
33 board under this subsection shall be appointed by the Governor, with
34 the advice and consent of both houses of the General Assembly, and
35 shall serve at the pleasure of the Governor.

36 (c) Members of the board of directors may not designate a
37 representative to perform in their absence their respective duties under
38 this section. Any vacancy occurring other than by expiration of term
39 shall be filled in the same manner as the original appointment for the
40 balance of the unexpired term. The appointing authority for any
41 member may remove such member for inefficiency, wilful neglect of
42 duty, misfeasance or malfeasance.

43 (d) The chairperson shall, with the approval of the members of the
44 board of directors, appoint an executive director of the authority who
45 shall be an employee of the authority and paid a salary prescribed by
46 the members. The executive director shall supervise the administrative
47 affairs and technical activities of the authority in accordance with the
48 directives of the board.

49 (e) Each member of the board of directors shall be entitled to
50 reimbursement for such member's actual and necessary expenses
51 incurred during the performance of such member's official duties.

52 (f) Members may engage in private employment or in a profession
53 or business subject to any applicable laws, rules and regulations of the
54 state regarding official ethics or conflict of interest.

55 (g) Seven members of the board of directors of the authority shall
56 constitute a quorum for the transaction of any business or the exercise
57 of any power of the authority. For the transaction of any business or
58 the exercise of any power of the authority and except as otherwise
59 provided in section 2 of this act, the authority may act by a majority of
60 the members present at any meeting at which a quorum is in
61 attendance.

62 (h) The authority shall continue as long as it has bonds or other
63 obligations outstanding and until its existence is terminated by law,
64 provided no such termination shall affect any outstanding contractual
65 obligation of the authority and the state shall succeed to the obligations
66 of the authority under any contract. Upon the termination of the
67 existence of the authority, all its rights and properties shall pass to and
68 be vested in the state of Connecticut.

69 (i) It shall not constitute a conflict of interest for a trustee, director,
70 partner or officer of any person, firm or corporation, or any individual
71 having a financial interest in a person, firm or corporation, to serve as a
72 member of the board of directors of the authority, provided such
73 trustee, director, partner, officer or individual shall comply with all
74 applicable provisions of chapter 10 of the general statutes.

75 Sec. 2. (NEW) (*Effective July 1, 2012*) (a) The purposes of the Public
76 Employee Benefit Solvency Authority shall be to contract with an
77 insurance company licensed to do business in the state to provide
78 individual universal life insurance policies on state employees
79 pursuant to subsection (b) of this section, and for such purposes the

80 authority is authorized and empowered to:

81 (1) Have perpetual succession as a body politic and corporate and to
82 adopt bylaws for the regulation of its affairs and the conduct of its
83 business;

84 (2) Adopt an official seal and alter the same at pleasure;

85 (3) Maintain an office at such place or places as it may designate;

86 (4) Sue and be sued in its own name, and plead and be impleaded;

87 (5) (A) Employ such assistants, agents and other employees as may
88 be necessary or desirable who shall not be employees, as defined in
89 subsection (b) of section 5-270 of the general statutes; (B) establish all
90 necessary or appropriate personnel practices and policies, including
91 those relating to hiring, promotion, compensation, retirement and
92 collective bargaining, which need not be in accordance with chapter 68
93 of the general statutes, and the authority shall not be an employer as
94 defined in subsection (a) of section 5-270 of the general statutes; and
95 (C) engage consultants, attorneys and appraisers as may be necessary
96 or desirable to carry out its purposes in accordance with this section;

97 (6) Issue bonds, bond anticipation notes and other obligations of the
98 authority for any of its corporate purposes, and to fund or refund the
99 same, all as provided in this section;

100 (7) Receive and accept aid or contributions from any source of
101 money, property, labor or other things of value, to be held, used and
102 applied to carry out the purposes of this section subject to such
103 conditions upon which such grants and contributions may be made,
104 including, but not limited to, gifts or grants from any department,
105 agency or instrumentality of the United States or this state for any
106 purpose consistent with this section;

107 (8) Borrow money for the purpose of obtaining working capital;

108 (9) Make and enter into all contracts and agreements necessary or
109 incidental to the performance of its duties and the execution of its
110 powers under this section, including contracts and agreements for
111 such professional services as the authority deems necessary, including,
112 but not limited to, financial consultants, bond counsel, underwriters
113 and technical specialists;

114 (10) Acquire, lease, purchase, own, manage, hold and dispose of
115 personal property, and lease, convey or deal in or enter into
116 agreements with respect to such property on any terms necessary or
117 incidental to the carrying out of these purposes;

118 (11) Invest in, acquire, lease, purchase, own, manage, hold and
119 dispose of real property and lease, convey or deal in or enter into
120 agreements with respect to such property on any terms necessary or
121 incidental to carrying out the purposes of this section, provided such
122 transactions shall not be subject to approval, review or regulation by
123 any state agency pursuant to title 4b of the general statutes or any
124 other provision of the general statutes;

125 (12) Procure insurance against any liability or loss in connection
126 with its property and other assets, in such amounts and from such
127 insurers as it deems desirable and to procure insurance for employees;

128 (13) Account for and audit funds of the authority and funds of any
129 recipients of funds from the authority; and

130 (14) Do all acts and things necessary or convenient to carry out the
131 purposes of and the powers expressly granted by this section.

132 (b) Any insurance policy contracted for by the authority pursuant to
133 subsection (a) of this section shall designate the state as the sole
134 beneficiary. All proceeds paid to the state as beneficiary of any such
135 insurance policy shall be paid to the Treasurer for deposit in the State
136 Employees Retirement Fund.

137 (c) Any state employee or retired state employee for which a

138 contract for life insurance is issued pursuant to this section shall be
139 notified in writing, not later than ten days after the issuance of such
140 policy, (1) that such policy has been issued and the name and address
141 of the insurer issuing the policy, (2) that such state employee or retired
142 state employee has the right to object to the issuance of such policy,
143 and (3) of the procedure for objecting in writing to the insurer issuing
144 the policy not later than ten days after receipt of such notice. If the
145 state employee or retired state employee objects to the issuance of such
146 policy in accordance with subdivision (3) of this subsection, the policy
147 shall be immediately void.

148 Sec. 3. (NEW) (*Effective July 1, 2012*) The members of the board of
149 directors of the Public Employee Benefit Solvency Authority shall
150 adopt written procedures, in accordance with the provisions of section
151 1-121 of the general statutes, for: (1) Adopting an annual budget and
152 plan of operations, including a requirement of board approval before
153 the budget or plan may take effect; (2) hiring, dismissing, promoting
154 and compensating employees of the authority, including an
155 affirmative action policy and a requirement of board approval before a
156 position may be created or a vacancy filled; (3) acquiring real and
157 personal property and personal services, including a requirement of
158 board approval for any nonbudgeted expenditure in excess of an
159 amount to be determined by the board; (4) contracting for financial,
160 legal, bond underwriting and other professional services, including a
161 requirement that the authority solicit proposals at least once every
162 three years for each such service which it uses; (5) issuing and retiring
163 bonds, bond anticipation notes and other obligations of the authority;
164 (6) awarding loans, grants and other financial assistance, including
165 eligibility criteria, the application process and the role played by the
166 authority's staff and board of directors; and (7) the use of surplus
167 funds to the extent authorized under this section or other provisions of
168 the general statutes.

169 Sec. 4. Subsection (l) of section 1-79 of the 2012 supplement to the
170 general statutes is repealed and the following is substituted in lieu

171 thereof (*Effective July 1, 2012*):

172 (l) "Quasi-public agency" means the Public Employee Benefit
173 Solvency Authority, Connecticut Development Authority, Connecticut
174 Innovations, Incorporated, Connecticut Health and Education Facilities
175 Authority, Connecticut Higher Education Supplemental Loan
176 Authority, Connecticut Housing Finance Authority, Connecticut
177 Housing Authority, Connecticut Resources Recovery Authority, Lower
178 Fairfield County Convention Center Authority, Capital City Economic
179 Development Authority, Connecticut Lottery Corporation, Connecticut
180 Airport Authority, Health Information Technology Exchange of
181 Connecticut and Connecticut Health Insurance Exchange.

182 Sec. 5. Section 1-120 of the 2012 supplement to the general statutes is
183 repealed and the following is substituted in lieu thereof (*Effective July*
184 *1, 2012*):

185 As used in sections 1-120 to 1-123, inclusive:

186 (1) "Quasi-public agency" means the Public Employee Benefit
187 Solvency Authority, Connecticut Development Authority, Connecticut
188 Innovations, Incorporated, Connecticut Health and Educational
189 Facilities Authority, Connecticut Higher Education Supplemental Loan
190 Authority, Connecticut Housing Finance Authority, Connecticut
191 Housing Authority, Connecticut Resources Recovery Authority,
192 Capital City Economic Development Authority, Connecticut Lottery
193 Corporation, Connecticut Airport Authority, Health Information
194 Technology Exchange of Connecticut and Connecticut Health
195 Insurance Exchange.

196 (2) "Procedure" means each statement, by a quasi-public agency, of
197 general applicability, without regard to its designation, that
198 implements, interprets or prescribes law or policy, or describes the
199 organization or procedure of any such agency. The term includes the
200 amendment or repeal of a prior regulation, but does not include,
201 unless otherwise provided by any provision of the general statutes, (A)

202 statements concerning only the internal management of any agency
203 and not affecting procedures available to the public, and (B) intra-
204 agency memoranda.

205 (3) "Proposed procedure" means a proposal by a quasi-public
206 agency under the provisions of section 1-121 for a new procedure or
207 for a change in, addition to or repeal of an existing procedure.

208 Sec. 6. Section 1-124 of the 2012 supplement to the general statutes is
209 repealed and the following is substituted in lieu thereof (*Effective July*
210 *1, 2012*):

211 (a) The Public Employee Benefit Solvency Authority, Connecticut
212 Development Authority, the Connecticut Health and Educational
213 Facilities Authority, the Connecticut Higher Education Supplemental
214 Loan Authority, the Connecticut Housing Finance Authority, the
215 Connecticut Housing Authority, the Connecticut Resources Recovery
216 Authority, the Health Information Technology Exchange of
217 Connecticut, the Connecticut Airport Authority, the Capital City
218 Economic Development Authority and the Connecticut Health
219 Insurance Exchange shall not borrow any money or issue any bonds or
220 notes which are guaranteed by the state of Connecticut or for which
221 there is a capital reserve fund of any kind which is in any way
222 contributed to or guaranteed by the state of Connecticut until and
223 unless such borrowing or issuance is approved by the State Treasurer
224 or the Deputy State Treasurer appointed pursuant to section 3-12. The
225 approval of the State Treasurer or said deputy shall be based on
226 documentation provided by the authority that it has sufficient
227 revenues to (1) pay the principal of and interest on the bonds and notes
228 issued, (2) establish, increase and maintain any reserves deemed by the
229 authority to be advisable to secure the payment of the principal of and
230 interest on such bonds and notes, (3) pay the cost of maintaining,
231 servicing and properly insuring the purpose for which the proceeds of
232 the bonds and notes have been issued, if applicable, and (4) pay such
233 other costs as may be required.

234 (b) To the extent the Public Employee Benefit Solvency Authority,
235 Connecticut Development Authority, Connecticut Innovations,
236 Incorporated, Connecticut Higher Education Supplemental Loan
237 Authority, Connecticut Housing Finance Authority, Connecticut
238 Housing Authority, Connecticut Resources Recovery Authority,
239 Connecticut Health and Educational Facilities Authority, the Health
240 Information Technology Exchange of Connecticut, the Connecticut
241 Airport Authority, the Capital City Economic Development Authority
242 or the Connecticut Health Insurance Exchange is permitted by statute
243 and determines to exercise any power to moderate interest rate
244 fluctuations or enter into any investment or program of investment or
245 contract respecting interest rates, currency, cash flow or other similar
246 agreement, including, but not limited to, interest rate or currency swap
247 agreements, the effect of which is to subject a capital reserve fund
248 which is in any way contributed to or guaranteed by the state of
249 Connecticut, to potential liability, such determination shall not be
250 effective until and unless the State Treasurer or his or her deputy
251 appointed pursuant to section 3-12 has approved such agreement or
252 agreements. The approval of the State Treasurer or his or her deputy
253 shall be based on documentation provided by the authority that it has
254 sufficient revenues to meet the financial obligations associated with the
255 agreement or agreements.

256 Sec. 7. Section 1-125 of the 2012 supplement to the general statutes is
257 repealed and the following is substituted in lieu thereof (*Effective July*
258 *1, 2012*):

259 The directors, officers and employees of the Public Employee
260 Benefit Solvency Authority, Connecticut Development Authority,
261 Connecticut Innovations, Incorporated, Connecticut Higher Education
262 Supplemental Loan Authority, Connecticut Housing Finance
263 Authority, Connecticut Housing Authority, Connecticut Resources
264 Recovery Authority, including ad hoc members of the Connecticut
265 Resources Recovery Authority, Connecticut Health and Educational
266 Facilities Authority, Capital City Economic Development Authority,

267 the Health Information Technology Exchange of Connecticut,
268 Connecticut Airport Authority, Connecticut Lottery Corporation and
269 Connecticut Health Insurance Exchange and any person executing the
270 bonds or notes of the agency shall not be liable personally on such
271 bonds or notes or be subject to any personal liability or accountability
272 by reason of the issuance thereof, nor shall any director or employee of
273 the agency, including ad hoc members of the Connecticut Resources
274 Recovery Authority, be personally liable for damage or injury, not
275 wanton, reckless, wilful or malicious, caused in the performance of his
276 or her duties and within the scope of his or her employment or
277 appointment as such director, officer or employee, including ad hoc
278 members of the Connecticut Resources Recovery Authority. The
279 agency shall protect, save harmless and indemnify its directors,
280 officers or employees, including ad hoc members of the Connecticut
281 Resources Recovery Authority, from financial loss and expense,
282 including legal fees and costs, if any, arising out of any claim, demand,
283 suit or judgment by reason of alleged negligence or alleged
284 deprivation of any person's civil rights or any other act or omission
285 resulting in damage or injury, if the director, officer or employee,
286 including ad hoc members of the Connecticut Resources Recovery
287 Authority, is found to have been acting in the discharge of his or her
288 duties or within the scope of his or her employment and such act or
289 omission is found not to have been wanton, reckless, wilful or
290 malicious.

291 Sec. 8. Subdivision (1) of subsection (a) of section 38a-291 of the
292 general statutes is repealed and the following is substituted in lieu
293 thereof (*Effective July 1, 2012*):

294 (a) (1) (A) The trustee of any voluntary employees' beneficiary
295 association trust, as defined in Section 501(c)(9) of the Internal Revenue
296 Code of 1986, as from time to time amended, to provide life, health or
297 similar benefits to employees or retired employees and acting in a
298 fiduciary capacity with respect to those employees or retired
299 employees may procure insurance on the lives of those employees or

300 retired employees; (B) an employer or a trustee of a trust, other than a
 301 voluntary employees' beneficiary association trust, providing life,
 302 health, disability, retirement or similar benefits to the employer's
 303 employees or retired employees may procure insurance on the lives of
 304 those employees or retired employees; [and] (C) a public employer,
 305 including, but not limited to, such employer's pension or retirement
 306 system, providing life, health, disability, retirement or similar benefits
 307 to such public employer's employees or retired employees may
 308 procure insurance on the lives of those employees or retired
 309 employees; and (D) prior to procuring insurance on the lives of
 310 employees or retired employees pursuant to subparagraph (A), [or] (B)
 311 or (C) of this subdivision, the employer or trustee shall obtain the
 312 written consent of each employee or retired employee proposed for
 313 coverage, and such consent shall include an acknowledgment from the
 314 employee that the employer or trustee may maintain the life insurance
 315 coverage after the employee's employment has terminated.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2012	New section
Sec. 2	July 1, 2012	New section
Sec. 3	July 1, 2012	New section
Sec. 4	July 1, 2012	1-79(l)
Sec. 5	July 1, 2012	1-120
Sec. 6	July 1, 2012	1-124
Sec. 7	July 1, 2012	1-125
Sec. 8	July 1, 2012	38a-291(a)(1)

Statement of Purpose:

To establish a special purpose quasi-public entity to create a mechanism for funding the state's pension obligations by allowing such entity to use pension fund moneys to buy certain insurance premiums, the benefits of which shall return to the pension fund.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]